

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Oshtemo	County Kalamazoo
Fiscal Year End December 31, 2006	Opinion Date March 21, 2007	Date Audit Report Submitted to State June 19, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

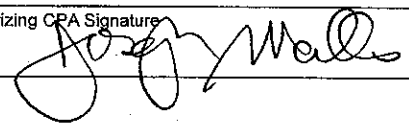
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112		
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.		Telephone Number (269)381-4970		
Street Address 246 East Kilgore Road		City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 		Printed Name Joseph M. Walls, CPA		License Number 1101013696

*Charter Township of Oshtemo*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended December 31, 2006*

---

## CONTENTS

---

	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	3 - 4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8 - 9
Statement of net assets - proprietary fund	10
Statement of revenues, expenses, and changes in fund net assets - proprietary fund	11
Statement of cash flows - proprietary fund	12
Statement of fiduciary net assets - Agency Fund	13
Notes to financial statements	14 - 24
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedules:	
General Fund	25 - 26
Fire Operating Fund	27
Fire Equipment Fund	28
<b>SUPPLEMENTARY INFORMATION</b>	
Combining balance sheet - nonmajor governmental funds	29
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	30

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Charter Township of Oshtemo, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oshtemo, Michigan, as of December 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oshtemo, Michigan, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Charter Township of Oshtemo, Michigan, has not presented the management's discussion and analysis, and the budgetary comparison information for the General Sewer and General Water Funds that the Governmental Accounting Standards Board requires to supplement, although not be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Oshtemo, Michigan's basic financial statements. The accompanying supplementary information, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

March 21, 2007

## **BASIC FINANCIAL STATEMENTS**

**Charter Township of Oshtemo**  
**STATEMENT OF NET ASSETS**  
December 31, 2006

	<u>Primary government</u>			<u>Component unit</u>
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>	<u>Downtown Development Authority</u>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 6,319,458	\$ 854,285	\$ 7,173,743	\$ 15,097
Receivables, net	1,804,156	-	1,804,156	62,493
Prepaid expenses	18,125	1,676	19,801	-
Total current assets	<u>8,141,739</u>	<u>855,961</u>	<u>8,997,700</u>	<u>77,590</u>
Noncurrent assets:				
Receivables, net	433,658	-	433,658	-
Capital assets not being depreciated - land	238,616	-	238,616	-
Capital assets, net of accumulated depreciation	<u>9,493,611</u>	<u>346,238</u>	<u>9,839,849</u>	<u>-</u>
Total noncurrent assets	<u>10,165,885</u>	<u>346,238</u>	<u>10,512,123</u>	<u>-</u>
Total assets	<u>18,307,624</u>	<u>1,202,199</u>	<u>19,509,823</u>	<u>77,590</u>
<b>LIABILITIES</b>				
Current liabilities:				
Payables	340,240	1,171	341,411	-
Long-term debt	81,569	-	81,569	-
Deferred revenue	<u>2,586,379</u>	<u>-</u>	<u>2,586,379</u>	<u>62,493</u>
Total current liabilities	<u>3,008,188</u>	<u>1,171</u>	<u>3,009,359</u>	<u>62,493</u>
Noncurrent liabilities - long-term debt	<u>155,939</u>	<u>-</u>	<u>155,939</u>	<u>-</u>
Total liabilities	<u>3,164,127</u>	<u>1,171</u>	<u>3,165,298</u>	<u>62,493</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,595,703	346,238	9,941,941	-
Restricted for public safety	766,722	854,790	1,621,512	-
Unrestricted	<u>4,781,072</u>	<u>-</u>	<u>4,781,072</u>	<u>15,097</u>
Total net assets	<u>\$ 15,143,497</u>	<u>\$ 1,201,028</u>	<u>\$16,344,525</u>	<u>\$ 15,097</u>

See notes to financial statements

**Charter Township of Oshtemo**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2006

		<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>
			<u>contributions</u>	<u>contributions</u>
<b>Functions/Programs</b>				
Governmental activities:				
Legislative	\$ 30,293	\$ -	\$ -	\$ -
General government	1,422,425	41,294	-	61,128
Public safety	1,789,713	1,736,765	-	-
Public works	324,826	1,411,202	13,143	-
Community and economic development	336,552	77,101	-	-
Culture and recreation	108,192	18,520	-	-
Interest	11,608	-	-	-
Total governmental activities	4,023,609	3,284,882	13,143	61,128
Business-type activity:				
Building inspections	280,513	698,483	-	-
Total primary government	<u>\$ 4,304,122</u>	<u>\$ 3,983,365</u>	<u>\$ 13,143</u>	<u>\$ 61,128</u>
<b>Component unit:</b>				
Downtown Development Authority	<u>\$ 20,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes				
State grants				
Franchise fees				
Investment income				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				



<b><i>Net (expenses) revenue and changes in net assets</i></b>			
<b><i>Primary government</i></b>			<b><i>Component unit</i></b>
<b><i>Governmental activities</i></b>	<b><i>Business-type activities</i></b>	<b><i>Totals</i></b>	<b><i>Downtown Development Authority</i></b>
\$ (30,293)		\$ (30,293)	
(1,320,003)		(1,320,003)	
(52,948)		(52,948)	
1,099,519		1,099,519	
(259,451)		(259,451)	
(89,672)		(89,672)	
(11,608)		(11,608)	
(664,456)		(664,456)	
-	\$ 417,970	417,970	
(664,456)	417,970	(246,486)	
			\$ (20,277)
616,919	-	616,919	21,863
1,204,965	-	1,204,965	-
90,774	-	90,774	-
360,383	30,049	390,432	1,176
2,273,041	30,049	2,303,090	23,039
1,608,585	448,019	2,056,604	2,762
13,534,912	753,009	14,287,921	12,335
\$ 15,143,497	\$ 1,201,028	\$ 16,344,525	\$ 15,097

See notes to financial statements

**Charter Township of Oshtemo**  
**BALANCE SHEET - governmental funds**  
December 31, 2006

	<u>General</u>	<u>Fire Operating</u>	<u>Fire Equipment</u>
<b>ASSETS</b>			
Cash	\$ 2,607,610	\$ 1,389,576	\$ 292,516
Receivables	643,525	686,681	171,670
Prepaid expenses	11,062	7,063	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 3,262,197</u>	<u>\$ 2,083,320</u>	<u>\$ 464,186</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables	\$ 103,960	\$ 31,617	\$ 148,675
Deferred revenue	763,842	1,227,185	306,796
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>867,802</u>	<u>1,258,802</u>	<u>455,471</u>
Fund balances:			
Unreserved	2,394,395	824,518	8,715
Unreserved, reported in non major:			
Special revenue funds	-	-	-
Debt service funds	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>2,394,395</u>	<u>824,518</u>	<u>8,715</u>
Total liabilities and fund balances	<u>\$ 3,262,197</u>	<u>\$ 2,083,320</u>	<u>\$ 464,186</u>

Total fund balances - governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including notes payable and accrued compensation, are not due and payable in the current period and, therefore, are not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Net assets of *governmental activities*

<b><u>General Sewer</u></b>	<b><u>General Water</u></b>	<b><u>Other nonmajor governmental funds</u></b>	<b><u>Total governmental funds</u></b>
\$ 1,547,069	\$ 287,946	\$ 194,741	\$ 6,319,458
98,830	362,210	274,898	2,237,814
-	-	-	18,125
<u>\$ 1,645,899</u>	<u>\$ 650,156</u>	<u>\$ 469,639</u>	<u>\$ 8,575,397</u>
\$ 51,942	\$ 3,152	\$ 894	\$ 340,240
90,294	305,503	296,563	2,990,183
<u>142,236</u>	<u>308,655</u>	<u>297,457</u>	<u>3,330,423</u>
1,503,663	341,501	-	5,072,792
-	-	150,417	-
-	-	21,765	150,417
<u>-</u>	<u>-</u>	<u>21,765</u>	<u>21,765</u>
<u>1,503,663</u>	<u>341,501</u>	<u>172,182</u>	<u>5,244,974</u>
<u>\$ 1,645,899</u>	<u>\$ 650,156</u>	<u>\$ 469,639</u>	<u>\$ 8,575,397</u>
			\$ 5,244,974
			9,732,227
			(237,508)
			<u>403,804</u>
			<u>\$ 15,143,497</u>

See notes to financial statements

**Charter Township of Oshtemo****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -****governmental funds**

Year ended December 31, 2006

	<u>General</u>	<u>Fire Operating</u>	<u>Fire Equipment</u>	<u>General Sewer</u>
<b>REVENUES</b>				
Taxes	\$ 616,919	\$ -	\$ -	\$ -
Licenses and permits	167,904	-	-	-
State grants	1,245,337	-	-	-
Charges for services	19,750	-	-	-
Fines and forfeitures	-	-	-	-
Interest	171,563	55,043	20,193	79,519
Other	147,221	1,136,564	282,224	896,622
Total revenues	<u>2,368,694</u>	<u>1,191,607</u>	<u>302,417</u>	<u>976,141</u>
<b>EXPENDITURES</b>				
Legislative	30,293	-	-	-
General government	1,175,118	-	-	-
Public safety	-	1,090,209	-	-
Public works	226,992	-	-	1,309,458
Community and economic development	336,552	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	20,385	-	41,022	-
Interest	2,965	-	8,643	-
Capital outlay	605,139	77,303	524,392	-
Total expenditures	<u>2,397,444</u>	<u>1,167,512</u>	<u>574,057</u>	<u>1,309,458</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(28,750)</u>	<u>24,095</u>	<u>(271,640)</u>	<u>(333,317)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(193,144)	-	-	-
Total other sources (uses)	<u>(193,144)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(221,894)</u>	<u>24,095</u>	<u>(271,640)</u>	<u>(333,317)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>2,616,289</u>	<u>800,423</u>	<u>280,355</u>	<u>1,836,980</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,394,395</u>	<u>\$ 824,518</u>	<u>\$ 8,715</u>	<u>\$ 1,503,663</u>

<u>General Water</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ -	\$ -	\$ 616,919
-	-	167,904
-	-	1,245,337
-	830	20,580
-	24,608	24,608
20,282	35,803	382,403
<u>388,237</u>	<u>268,910</u>	<u>3,119,778</u>
<u>408,519</u>	<u>330,151</u>	<u>5,577,529</u>
-	-	30,293
-	-	1,175,118
-	434,786	1,524,995
369,317	-	1,905,767
-	-	336,552
-	45,139	45,139
-	-	61,407
-	-	11,608
-	<u>63,833</u>	<u>1,270,667</u>
<u>369,317</u>	<u>543,758</u>	<u>6,361,546</u>
<u>39,202</u>	<u>(213,607)</u>	<u>(784,017)</u>
-	193,144	193,144
-	-	<u>(193,144)</u>
-	<u>193,144</u>	-
39,202	(20,463)	(784,017)
<u>302,299</u>	<u>192,645</u>	<u>6,028,991</u>
<u>\$ 341,501</u>	<u>\$ 172,182</u>	<u>\$ 5,244,974</u>

See notes to financial statements

**Charter Township of Oshtemo**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**governmental funds (Continued)**  
*Year ended December 31, 2006*

---

Net change in fund balances - total governmental funds	\$ (784,017)
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Capital assets:	
Assets acquired	2,705,823
Provision for depreciation (including basis of assets disposed assets of \$22,638)	(382,770)
Long-term debt:	
Principal repayments	61,407
Net decrease in accrued liabilities	14,605
Changes in other assets/liabilities:	
Net decrease in deferred revenue	<u>(6,463)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 1,608,585</u>

*See notes to financial statements*

**Charter Township of Oshtemo**  
**STATEMENT OF NET ASSETS - proprietary fund**  
December 31, 2006

---

	<u><b>Building Inspections</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 854,285
Prepaid expenses	<u>1,676</u>
Total current assets	855,961
Noncurrent assets - capital assets, net of accumulated depreciation	<u>346,238</u>
Total assets	<u>1,202,199</u>
<b>LIABILITIES</b>	
Payables	<u>1,171</u>
<b>NET ASSETS</b>	
Invested in capital assets	346,238
Unrestricted	<u>854,790</u>
Total net assets	<u>\$ 1,201,028</u>

See notes to financial statements

**Charter Township of Oshtemo**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET**  
**ASSETS - *proprietary fund***  
*Year ended December 31, 2006*

---

	<u><b><i>Building Inspections</i></b></u>
OPERATING REVENUES	\$ 698,483
OPERATING EXPENSES	<u>280,513</u>
OPERATING INCOME	417,970
NONOPERATING INCOME	
Interest	<u>30,049</u>
CHANGE IN NET ASSETS	448,019
NET ASSETS - BEGINNING	<u>753,009</u>
NET ASSETS - ENDING	<u>\$ 1,201,028</u>

*See notes to financial statements*



**Charter Township of Oshtemo**  
**STATEMENT OF CASH FLOWS - proprietary fund**  
Year ended December 31, 2006

---

	<b><u>Building Inspections</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 698,483
Payments to employees	(101,913)
Payments for goods and services	<u>(169,585)</u>
Net cash provided by operating activities	426,985
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(220,261)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>30,049</u>
<b>NET INCREASE IN CASH</b>	236,773
<b>CASH - BEGINNING</b>	<u>617,512</u>
<b>CASH - ENDING</b>	<u><u>\$ 854,285</u></u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 417,970
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	9,549
Increase in prepaid expenses	(1,020)
Increase in accounts payable	<u>486</u>
Net cash provided by operating activities	<u><u>\$ 426,985</u></u>

See notes to financial statements

**Charter Township of Oshtemo**  
**STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund**  
*December 31, 2006*

---

**ASSETS**

Cash	<u>\$ 4,197,353</u>
------	---------------------

**LIABILITIES**

Payables	<u>\$ 4,197,353</u>
----------	---------------------

*See notes to financial statements*

**Charter Township of Oshtemo**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Charter Township of Oshtemo, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

*Discretely-presented component unit:*

*Downtown Development Authority:*

The component unit's governing body is appointed by the Township Board. Separate financial statements for the component unit have not been issued as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Charter Township of Oshtemo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Operating Fund accounts for the financial resources used for the operational costs of the Township fire protection. Revenues are primarily derived from special assessments.

The Fire Equipment Fund accounts for the financial resources used for purchase of fire protection capital assets. Revenues are primarily derived from special assessments.

The General Sewer Fund accounts for the financial resources used for the expansion and repairs and maintenance of waste water transmission lines in the Township. Revenues are primarily derived from connection and availability fees.

The General Water Fund accounts for the financial resources used for the expansion and repairs and maintenance of water transmission lines in the Township. Revenues are primarily derived from connection and availability fees.

The Township reports a single proprietary fund, Building Inspections Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

**Charter Township of Oshtemo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports one fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

**Charter Township of Oshtemo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*iv) Capital assets (continued)* - Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15 - 30 years
Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Infrastructure	10 - 50 years

*v) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vi) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the subsequent year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Community and development	\$ 315,449	\$ 336,552	\$ (21,103)
Fire Equipment	Capital outlay	507,000	524,392	(17,392)

The Township has not adopted budgets for the General Water and General Sewer funds.

**Charter Township of Oshtemo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH:**

Cash as presented in the accompanying financial statements, consisted of the following:

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Fiduciary</i>	<i>Component Unit</i>	<i>Totals</i>
Cash	<u>\$ 6,319,458</u>	<u>\$ 854,285</u>	<u>\$ 4,197,353</u>	<u>\$ 15,097</u>	<u>\$ 11,386,193</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At December 31, 2006, \$12,325,912 of the Township's bank balances of \$12,902,003 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Totals</i>
<i>Primary government:</i>				
General	\$ 448,208	\$ -	\$ 195,317	\$ 643,525
Fire Operating	-	686,681	-	686,681
Fire Equipment	-	171,670	-	171,670
General Sewer	-	93,761	5,069	98,830
General Water	-	347,960	14,250	362,210
Other governmental	-	274,898	-	274,898
<b>Totals</b>	<u><b>\$ 448,208</b></u>	<u><b>\$ 1,574,970</b></u>	<u><b>\$ 214,636</b></u>	<u><b>\$ 2,237,814</b></u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 433,658</u>	<u>\$ -</u>	<u>\$ 433,658</u>
<i>Component unit:</i>				
Downtown Development Authority	<u>\$ 62,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,493</u>

All receivables are considered fully collectible.

**Charter Township of Oshtemo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - DEFERRED REVENUE:**

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<i>Fund</i>	<i>Unearned</i>	<i>Unavailable</i>	<i>Totals</i>
<i>Primary government:</i>			
General	\$ 763,842	\$ -	\$ 763,842
Fire Operating	1,227,185	-	1,227,185
Fire Equipment	306,796	-	306,796
General Sewer	-	90,294	90,294
General Water	-	305,503	305,503
Other governmental	288,556	8,007	296,563
<b>Totals</b>	<b>\$ 2,586,379</b>	<b>\$ 403,804</b>	<b>\$ 2,990,183</b>
<i>Component unit:</i>			
Downtown Development Authority	\$ 16,889	\$ -	\$ 16,889

**NOTE 6 - PROPERTY TAXES:**

The Township property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31.

Although the Township 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2006 taxable valuation of the Township totaled \$652,981,151, on which ad valorem taxes levied consisted of the following:

<i>Fund</i>	<i>Millage rate</i>	<i>Purpose</i>	<i>Taxes raised</i>
General	0.9774	Operating	\$ 638,292

This amount is recognized in the financial statements as taxes receivable, with an offsetting credit to deferred revenue.

Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.



**Charter Township of Oshtemo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - CAPITAL ASSETS:**

Capital asset activity for the year ended December 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 167,380	\$ 71,236	\$ -	\$ 238,616
Capital assets being depreciated:				
Buildings and improvements	4,455,267	851,190	(43,829)	5,262,628
Equipment	888,759	110,103	(127,625)	871,237
Vehicles	1,951,941	21,534	-	1,973,475
Infrastructure	2,543,753	1,651,760	-	4,195,513
Subtotal	9,839,720	2,634,587	(171,454)	12,302,853
Less accumulated depreciation for:				
Buildings and improvements	(884,731)	(130,685)	37,579	(977,837)
Equipment	(494,561)	(82,841)	111,237	(466,165)
Vehicles	(1,166,831)	(76,305)	-	(1,243,136)
Infrastructure	(51,803)	(70,301)	-	(122,104)
Subtotal	(2,597,926)	(360,132)	148,816	(2,809,242)
Total capital assets being depreciated, net	7,241,794	2,274,455	(22,638)	9,493,611
Governmental activities capital assets, net	\$ 7,409,174	\$ 2,345,691	\$ (22,638)	\$ 9,732,227
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 135,052	\$ 200,000	\$ -	\$ 335,052
Equipment	16,486	20,261	-	36,747
Subtotal	151,538	220,261	-	371,799
Less accumulated depreciation for:				
Buildings	(5,064)	(5,876)	-	(10,940)
Equipment	(10,948)	(3,673)	-	(14,621)
Subtotal	(16,012)	(9,549)	-	(25,561)
Business-type activities capital assets, net	\$ 135,526	\$ 210,712	\$ -	\$ 346,238

**Charter Township of Oshtemo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 7 - CAPITAL ASSETS (Continued):**

Depreciation expense was charged to functions of the Township as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>
General government	\$ 103,720	\$ -
Public safety	163,337	9,549
Public works	70,819	-
Recreation and cultural	<u>22,256</u>	<u>-</u>
Total	<u>\$ 360,132</u>	<u>\$ 9,549</u>

**NOTE 8 - LONG-TERM DEBT:**

Long-term debt at December 31, 2006, is comprised of the following:

Accrued employee benefits	\$ 29,800
MDEQ lien payable	49,215
Notes payable:	
\$384,834 note payable (PA99 of 1933), due in semi-annual installments of \$15,217 to \$24,832 through September 2009, plus interest at 5.14%	136,524
Contract payable:	
The contract payable represents an allocation of the costs incurred for the clean-up of a closed landfill site situated in the Township and operated by the Township from 1960 to 1968. The Township's portion is based upon an agreement with other governmental units, which allocates the municipalities' share of total estimated costs of the remedial clean up, and is payable to the County of Kalamazoo at \$23,350 annually through the year 2007, including interest at the rate of 7%.	<u>21,969</u>
Total long-term debt	<u>\$ 237,508</u>

**Charter Township of Oshtemo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 8 - LONG-TERM DEBT (Continued):

Long-term obligation activity for the year ended December 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Compensated absences	\$ 28,000	\$ 54,909	\$ 53,109	\$ 29,800	\$ -
Lien payable	65,620	-	16,405	49,215	16,405
Notes payable	177,546	-	41,022	136,524	43,195
Contract payable	<u>42,354</u>	<u>-</u>	<u>20,385</u>	<u>21,969</u>	<u>21,969</u>
Total long-term obligations	<u>\$ 313,520</u>	<u>\$ 54,909</u>	<u>\$ 130,921</u>	<u>\$ 237,508</u>	<u>\$ 81,569</u>

At December 31, 2006, debt service requirements, excluding compensated absences and lien payable, are follows:

<u>Year ended December 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 65,164	\$ 8,007
2008	45,444	4,221
2009	<u>47,885</u>	<u>1,855</u>
Totals	<u>\$ 158,493</u>	<u>\$ 14,083</u>

NOTE 9 - PAYABLES:

<u>Fund</u>	<u>Accounts</u>	<u>Accrued liabilities</u>	<u>Totals</u>
General	\$ 103,960	\$ -	\$ 103,960
Fire Operating	19,287	12,330	31,617
Fire Equipment	148,675	-	148,675
General Sewer	51,942	-	51,942
General Water	3,152	-	3,152
Other governmental	<u>894</u>	<u>-</u>	<u>894</u>
Total governmental activities	<u>\$ 327,910</u>	<u>\$ 12,330</u>	<u>\$ 340,240</u>
Business-type activities	<u>\$ 1,171</u>	<u>\$ -</u>	<u>\$ 1,171</u>

**Charter Township of Oshtemo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

A summary of interfund transfers for the year ended December 31, 2006, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Other governmental	\$ 193,144	General	\$ 193,144

The transfers to the other governmental funds represent an operating transfer to cover additional costs associated with police protection and park improvements in those funds.

**NOTE 11 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability up to \$7,000,000, property and casualty, and workers' compensation are managed through purchased commercial insurance.

**NOTE 12 - DEFINED CONTRIBUTION AND MONEY PURCHASE PLAN:**

The Township maintains a defined contribution plan (Township of Oshtemo Group Pension Plan) through which it provides pension benefits to its employees. The plan covers all full-time employees, Township trustees, and part-time firefighters. The plan is administered by an insurance company.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Eligible employees may begin participating on the date the plan started, or on the first day of the month coincident with, or immediately following, their date of employment, if later.

The Township contributes 12½% of the annual compensation amounts of the eligible full-time employees, trustees, and firefighters, and 10% of the annual compensation for enforcement officers. All of the Township's contributions for participating full-time employees and trustees (and interest allocated to the participants' accounts) are fully vested after 20 months of continuous service. The Township's contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce the Township's current period contribution requirement. The Township's contributions for firefighters vest immediately.

The Township made the required contributions in the amount of \$141,918 for 2006. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

**Charter Township of Oshtemo**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 13 - POST-EMPLOYMENT BENEFITS:**

The Township has elected to provide post-employment health benefits to retirees of the Township. The Township pays the full cost of coverage of these benefits for retirees and their dependents. Currently two retirees are eligible for post-employment health benefits. For the fiscal year ending December 31, 2006, the Township made payments for post-employment health benefit premiums of \$17,119. The Township obtains health care coverage through private insurers.

**NOTE 14 - CONTINGENCIES:**

The Township is a party to a Consent Decree entered November 17, 1992, settling the claim of U.S. Environmental Protection Agency under CERCLA against the Township and other potentially responsible parties concerning remedial action at the KL Avenue Landfill located in the Township. The Township has potential liability under the Consent Decree for in-kind services and cash payments, the amount for which it is not practicable to estimate at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Charter Township of Oshtemo**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 576,087	\$ 576,087	\$ 616,919	\$ 40,832
Licenses and permits	116,000	116,000	167,904	51,904
State grants	1,260,000	1,300,000	1,245,337	(54,663)
Charges for services	18,000	18,000	19,750	1,750
Interest	45,000	45,000	171,563	126,563
Other	<u>118,148</u>	<u>118,148</u>	<u>147,221</u>	<u>29,073</u>
Total revenues	<u>2,133,235</u>	<u>2,173,235</u>	<u>2,368,694</u>	<u>195,459</u>
<b>EXPENDITURES</b>				
Legislative	<u>25,150</u>	<u>29,870</u>	<u>30,293</u>	<u>(423)</u>
General government:				
Supervisor	94,696	105,976	106,496	(520)
Election	21,500	29,600	28,828	772
Assessor	133,625	132,325	128,195	4,130
Clerk	118,456	118,456	115,924	2,532
Treasurer	88,246	88,246	88,006	240
Professional services	225,000	225,000	181,109	43,891
Cemetery, buildings, and grounds	71,000	68,525	66,992	1,533
General operations	<u>449,008</u>	<u>507,008</u>	<u>459,568</u>	<u>47,440</u>
Total general government	<u>1,201,531</u>	<u>1,275,136</u>	<u>1,175,118</u>	<u>100,018</u>
Public works:				
Highways and streets	121,000	121,000	85,602	35,398
Street lights	109,684	109,648	94,792	14,856
Mass transit	18,000	18,000	18,356	(356)
Waste collection	<u>28,000</u>	<u>28,000</u>	<u>28,242</u>	<u>(242)</u>
Total public works	<u>276,684</u>	<u>276,648</u>	<u>226,992</u>	<u>49,656</u>
Community and economic development - planning and zoning	<u>249,599</u>	<u>315,449</u>	<u>336,552</u>	<u>(21,103)</u>

**Charter Township of Oshtemo**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Debt service:				
Principal	\$ 20,385	\$ 20,385	\$ 20,385	\$ -
Interest	2,965	2,965	2,965	-
Capital outlay	831,000	884,000	605,139	278,861
Total expenditures	<u>2,607,314</u>	<u>2,804,453</u>	<u>2,397,444</u>	<u>407,009</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(474,079)</u>	<u>(631,218)</u>	<u>(28,750)</u>	<u>602,468</u>
<b>OTHER FINANCING USES</b>				
Operating transfer out:				
Police Fund	(65,625)	(75,500)	(65,625)	9,875
Parks Fund	<u>(127,519)</u>	<u>(127,519)</u>	<u>(127,519)</u>	<u>-</u>
Total other financing uses	<u>(193,144)</u>	<u>(203,019)</u>	<u>(193,144)</u>	<u>9,875</u>
<b>NET CHANGE IN FUND BALANCES</b>	(667,223)	(834,237)	(221,894)	612,343
<b>FUND BALANCES - BEGINNING</b>	<u>2,616,289</u>	<u>2,616,289</u>	<u>2,616,289</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,949,066</u>	<u>\$ 1,782,052</u>	<u>\$ 2,394,395</u>	<u>\$ 612,343</u>



**Charter Township of Oshtemo**  
**BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund**  
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Interest	\$ 6,000	\$ 6,000	\$ 55,043	\$ 49,043
Other:				
Special assessments	1,129,620	1,129,620	1,133,467	3,847
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>3,097</u>	<u>(11,903)</u>
Total revenues	<u>1,150,620</u>	<u>1,150,620</u>	<u>1,191,607</u>	<u>40,987</u>
<b>EXPENDITURES</b>				
Public safety	1,078,120	1,171,838	1,090,209	81,629
Capital outlay	<u>72,500</u>	<u>78,500</u>	<u>77,303</u>	<u>1,197</u>
Total expenditures	<u>1,150,620</u>	<u>1,250,338</u>	<u>1,167,512</u>	<u>82,826</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(99,718)	24,095	123,813
<b>FUND BALANCES - BEGINNING</b>	<u>800,423</u>	<u>800,423</u>	<u>800,423</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 800,423</u>	<u>\$ 700,705</u>	<u>\$ 824,518</u>	<u>\$ 123,813</u>

**Charter Township of Oshtemo**  
**BUDGETARY COMPARISON SCHEDULE - Fire Equipment Fund**  
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Interest	\$ 1,000	\$ 1,000	\$ 20,193	\$ 19,193
Other:				
Special assessments	274,095	274,095	282,224	8,129
Miscellaneous	<u>1,600</u>	<u>1,600</u>	<u>-</u>	<u>(1,600)</u>
Total revenues	<u>276,695</u>	<u>276,695</u>	<u>302,417</u>	<u>25,722</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	41,200	41,200	41,022	178
Interest	8,800	8,800	8,643	157
Capital outlay	<u>507,000</u>	<u>507,000</u>	<u>524,392</u>	<u>(17,392)</u>
Total expenditures	<u>557,000</u>	<u>557,000</u>	<u>574,057</u>	<u>(17,057)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(280,305)	(280,305)	(271,640)	8,665
<b>FUND BALANCES - BEGINNING</b>	<u>280,355</u>	<u>280,355</u>	<u>280,355</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 8,715</u>	<u>\$ 8,665</u>

## **SUPPLEMENTARY INFORMATION**

**Charter Township of Oshtemo**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
December 31, 2006

	<u>Special revenue funds</u>		<u>Debt service fund</u>	
	<u>Parks</u>	<u>Police</u>	<u>90-5 Water &amp; 90-6 Sewer</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash	\$ 73,443	\$ 102,463	\$ 18,835	\$ 194,741
Receivables	-	263,961	10,937	274,898
Total assets	<u>\$ 73,443</u>	<u>\$ 366,424</u>	<u>\$ 29,772</u>	<u>\$ 469,639</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 539	\$ 355	\$ -	\$ 894
Deferred revenue	-	288,556	8,007	296,563
Total liabilities	539	288,911	8,007	297,457
Fund balances - unreserved, undesignated	<u>72,904</u>	<u>77,513</u>	<u>21,765</u>	<u>172,182</u>
Total liabilities and fund balances	<u>\$ 73,443</u>	<u>\$ 366,424</u>	<u>\$ 29,772</u>	<u>\$ 469,639</u>

**Charter Township of Oshtemo**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2006

	<u>Special revenue funds</u>		<u>Debt service fund</u>	
	<u>Parks</u>	<u>Police</u>	<u>90-5 Water &amp; 90-6 Sewer</u>	<u>Totals</u>
<b>REVENUES</b>				
Charges for service	\$ -	\$ 830	\$ -	\$ 830
Fines and forfeitures	-	24,608	-	24,608
Interest and rentals	24,162	10,813	828	35,803
Other - special assessments	-	265,309	3,601	268,910
	<u>24,162</u>	<u>301,560</u>	<u>4,429</u>	<u>330,151</u>
Total revenues				
<b>EXPENDITURES</b>				
Public safety	-	434,786	-	434,786
Culture and recreation	45,139	-	-	45,139
Capital outlay	63,833	-	-	63,833
	<u>108,972</u>	<u>434,786</u>	<u>-</u>	<u>543,758</u>
Total expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(84,810)	(133,226)	4,429	(213,607)
<b>OTHER FINANCING SOURCES</b>				
Operating transfer in - General Fund	<u>127,519</u>	<u>65,625</u>	<u>-</u>	<u>193,144</u>
<b>NET CHANGES IN FUND BALANCES</b>	42,709	(67,601)	4,429	(20,463)
<b>FUND BALANCES - BEGINNING</b>	<u>30,195</u>	<u>145,114</u>	<u>17,336</u>	<u>192,645</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 72,904</u>	<u>\$ 77,513</u>	<u>\$ 21,765</u>	<u>\$ 172,182</u>

**March 21, 2007**

**Members of the Township Board  
Charter Township of Oshtemo, Michigan**

In planning and performing our audit of the financial statements of the Charter Township of Oshtemo as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Oshtemo's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

**Members of the Township Board  
Charter Township of Oshtemo, Michigan**

**This communication is intended solely for the information and use of management, the Board of Trustees of the Charter Township of Oshtemo, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.**

*Sigfried Crandall P.C.*